

## Message Text

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ACTION EB-07

INFO OCT-01 EA-07 ISO-00 SP-02 USIA-06 AID-05 NSC-05  
EPG-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00  
COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03  
LAB-04 SIL-01 /076 W

-----040846Z 067129 /23

R 040205Z JUN 77

FM AMEMBASSY KUALA LUMPUR

TO SECSTATE WASDHC 7441

INFO AMEMBASSY SINGAPORE

AMCONGEN HONG KONG

LIMITED OFFICIAL USE KUALA LUMPUR 3435

HONG KONG FOR TREASURY REP SHARPE

HONG KONG FOR HIRSHORN

E.O. 11652: N/A

TAGS: EINV, MY

SUBJECT: GOM LOWERS PRIME RATE

1. MALAYSIAN MINISTER OF FINANCE HAS ANNOUNCED THE LOWERING OF PRIME LENDING RATE FROM 8.5 PERCENT TO 7.5 PERCENT EFFECTIVE JUNE 2, 1977. OTHER LENDING RATES WERE LOWERED ACCORDINGLY. INTEREST RATES ON TIME DEPOSITS WERE LOWERED BY .5 PERCENT ACROSS THE BOARD. GOM'S STATED REASON FOR TAKING THIS ACTION IS TO STIMULATE PRIVATE SECTOR INVESTMENT WHICH HAS BEEN LAGGING IN SPITE OF SHARP ECONOMIC RECOVERY OF PAST YEAR AND A HALF.

2. COMMENT: THIS MOVE, WHICH THE GOVERNOR OF CENTRAL BANK RULED OUT ONLY TWO MONTHS AGO, IS ANOTHER ATTEMPT BY GOM TO RECREATE FAVORABLE INVESTMENT CLIMATE THROUGH USE OF MONETARY POLICY. PRIVATE SECTOR INVESTMENT IS FALLING VERY FAR SHORT  
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OF GOALS LAID OUT IN THIRD MALAYSIA PLAN (TMP) AND THIS CAUSING GOM A GREAT DEAL OF CONCERN. EMBASSY, AS WELL AS LOCAL PRIVATE SECTOR AND BANGKONG SOURCES, DOES NOT FEEL THIS MEASURE WILL HAVE ANY SIGNIFICANT EFFECT ON LEVEL OF PRIVATE SECTOR INVESTMENT.

3. REAL PRIVATE SECTOR CONCERN WITH LOCAL INVESTMENT CLIMATE HIGHER ON GOM REFUSAL TO MEANINGFULLY AMEND INDUSTRIAL

COORDINATION ACT (ICA) EARLIER THIS YEAR. INVESTMENT IS  
EXPECTED TO CONTINUE TO LAG CAUSING INVREASED CONCERN TO  
GOM. GOM'S PROBLEMS WITH AMENDING THE ICA ARE MORE POLITICAL  
THAN ECONOMIC AND IT WILL BE INTERESTING TO NOTE HOW IT  
RESPONDS AS IT FALLS FURTHER AND FURTHER BEHIND IN REACHING  
GOALS OF TMP. END COMMENT.  
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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** ECONOMIC DEVELOPMENT, INTEREST RATES, INVESTMENT OPPORTUNITIES  
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**Decaption Date:** 01-Jan-1960 12:00:00 am  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1977KUALA03435  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Expiration:**  
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**Office:** ACTION EB  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
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**Page Count:** 2  
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**Review Exemptions:** n/a  
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**SAS ID:** 2278362  
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**Status:** NATIVE  
**Subject:** GOM LOWERS PRIME RATE  
**TAGS:** EINV, MY  
**To:** STATE  
**Type:** TE  
**vdkgvwkey:** odbc://SAS/SAS.dbo.SAS\_Docs/17984685-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
Margaret P. Grafeld  
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**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009